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Benefits Countdown

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Federal and postal employes who are 55 or older would be grandfathered in under the present civil service retirement rules even if Congress approves an administration plan to impose financial penalties on employes who retire from government before their 65th birthdays.

Congress rejected a similar proposal three years ago, but now is under the gun to make cuts in federal spending.

Workers who are under 55 at the time of enactment would be hit by all or part of the proposed cutbacks in annuity benefits.

The budget that President Reagan will send Congress later this month proposes a number of changes in the federal retirement program. Chief among them is the plan to require employes to work until they are 65 to get "full" benefits.

Employes may now retire at 55 (with 30 years' service) and get a so-called "full" benefit equal to about 56 percent of their final salaries. To get the maximum pension benefit—80 percent of salary—employes must work for the government nearly 42 years.

Under the administration plan, employes could still retire at 55. But it would cost them, because the proposal calls for a 5 percent annuity reduction for each year under 65 of the employes' age when they retire.

Under the plan, employes who are 55 or older when the bill is enacted could still retire under current rules, even if they decide to work much longer.

A worker who was 54 at the time of enactment could retire at 55 with a 5 percent reduction in annuity. An employe who is 50 at time of enactment could retire at 55 with a 25 percent reduction in annuity.

Employes who are 45 or younger at the time of enactment could still retire at age 55, but their annuities would be reduced 50 percent.

The proposed retirement changes also call for a return to a retirement calculation formula used until about 10 years ago.

The present system bases pension benefits on length of service and the workers' highest salary average over a three-year period. The new plan would revert to the system that bases annuities on service time and the highest five years' average. That would mean a slight annuity reduction for persons retiring in the future, but a multimillion-dollar savings for the federal retirement program.

Current and future retirees would get full cost-of-living adjustments only on the first $10,000 of their annuities, if Congress approves the Reagan plan. Adjustments on amounts over $10,000 would be limited to 55 percent of the actual rise in living costs.

Finally, future raises for federal and military retirees—there are more than 100,000 here—would be pegged to an either/or system. Currently, retirees get annual raises based on the cost of living. This year, by coincidence, retirees got a 3½ percent raise and active federal workers got a 3½ percent pay raise.

Under the White House budget proposal, raises for retirees would be based on either the actual rise in the cost of living or the percentage pay increase granted to federal workers, whichever is lower.

The Reagan budget will not, as anticipated, recommend that federal civil servants put a bigger chunk of their salaries into the retirement fund. It would keep that contribution rate at 7 percent.

Administration officials say, however, that if Congress rejects the president's plan for a 5 percent federal pay cut next January they are prepared to ask that the pension contribution rate be raised to 9 percent, a move that would cut government retirement costs and bring more money into the fund.